



85.85

Liabilities and Equity - Illustrative Entries

85.85.10

July 1, 2003

General

The following entries illustrate the recording of liabilities and equity in the accounting records. The entries are for illustrative purposes **only** and should **not** be considered all-inclusive. Entries posted to GL Code Series 71XX "In-Process" in treasury and treasury trust accounts also require an entry from the Office of the State Treasurer (OST) as illustrated below to clear the In-Process GL Codes.

The entry would be reversed for In-Process debit amounts.

	Dr.	Cr.
In-Process (71XX)	xxx	
Current Treasury Cash Activity (OST Only)		xxx
(4310)		

85.85.15

May 1, 1999

Establishment of short-term liabilities

To record the accrual of expenditures/expenses for goods and services from a vendor invoice. (Refer to Subsection 85.70.20.c.)

	Dr.	Cr.
Accrued Expenditures/Expenses (6505)	xxx	
Appropriate Short-term Payable Account (51XX)		xxx

85.85.20

May 1, 1999

Payment of short-term liabilities

To record payment of a short-term liability.

	Dr.	Cr.
Appropriate Short-term Payable Account (51XX)	xxx	
Cash in Bank (1110) or		xxx
Warrants In-Process (7120)		
Cash Expenditures/Expenses (6510)	xxx	
Accrued Expenditures/Expenses (6505)		xxx

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85.85.22

June 1, 2004

Long-term to short-term reclassification

To record the reclassification at fiscal year-end of the portion of long-term liabilities that is considered short-term (due and payable within the next fiscal year). (Refer to Subsection 85.70.50)

	Dr.	Cr.
Long-term Liability Account (52XX)	xxx	
Short-term Payable Account (51XX)		xxx

85.85.25

July 1, 2003

Deferred revenue

85.85.25.a

To record deferred revenue. For example, cash received from students for tuition and fees paid in advance of providing services. (Refer to Subsection 85.70.40.)

	Dr.	Cr.
Cash in Bank (1110) or In-Process (71XX)	xxx	
Deferred Revenue (5192)		xxx

85.85.25.b

To record recognition of revenue once applicable recognition criteria have been met, i.e., recognition of tuition and fees revenue.

	Dr.	Cr.
Deferred Revenue (5192)	xxx	
Cash Revenue (3210) Revenue Source Code (0424) Tuition and Fees		xxx

85.85.30

June 1, 2004

Fund bond debt issuance and servicing

The following example is used to illustrate entries for recording the issuance and servicing of fund bond debt in a non-appropriated proprietary account. Generally, these bonds are revenue bonds. (Refer to Subsection 85.72.20.c.)

An agency issues revenue bonds with a par amount of \$5,000, with a \$200 original issue discount (OID), underwriter's discount (UD) of \$60 and costs of issuance (COI) of \$20. (Note: Discounts that are related to

underwriters' fees are handled consistent with other issue costs. OID results when the par of the bond exceeds its purchase price. Original Issue Premium, OIP, results when the par of the bond is less than the purchase price. Costs of issuance are generally included in the proceeds and paid separately.) The issue is to be repaid in equal installments over 10 years, beginning next year. Interest is payable at 6% per year on the outstanding balance. (If bond issue costs are deemed immaterial, they may be expensed through GL Code 6510 "Cash Expenditures/Expenses" Subobject PC "Other Debt Services.")

85.85.30.a **To record the issuance of the revenue bonds and payment of the costs of issuance.**

	Dr.	Cr.
Unamortized Bond Issue Costs (1920) (<i>UD</i>)	60	
Unamortized Discount on Bonds Sold (1910) (<i>OID</i>)	200	
Cash in Bank (1110) (Par \$5,000 – \$200 OID – \$60 UD + \$20 COI)	4,740	
Revenue Bonds Payable (5262) (<i>Par</i>)		5,000
Unamortized Bond Issue Costs (1920) (<i>COI</i>)	20	
Cash in Bank (1110)		20

85.85.30.b **To record as short term that portion of principal due within the next fiscal year.**

	Dr.	Cr.
Revenue Bonds Payable (5262)	500	
Revenue Bonds Payable (5162)		500

85.85.30.c **To record the payment of the first year's debt service.**

	Dr.	Cr.
Revenue Bonds Payable (5162) (principal)	500	
Cash Expenditures/Expenses (6510) Subobject PB – Interest	300	
Cash in Bank (1110)		800

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85.85.30.d **To record annual amortization of deferred costs of issuance (COI) and original issue discount (OID) on a straight-line basis.**

	Dr.	Cr.
Amortization Expense (6512) Subobject WB	28	
Unamortized Bond Issue Costs (1920)		8
Unamortized Discount on Bonds Sold (1910)		20

85.85.30.e **At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year.** At fiscal year-end, the amount in GL Code 5162 should be the same as the next year's principal payment on the bond amortization schedule.

	Dr.	Cr.
Revenue Bonds Payable (5262)	500	
Revenue Bonds Payable (5162)		500

NOTE: If this were a **budgeted proprietary account**, bond proceeds would be recorded as revenue by a credit to GL Code 3210 "Cash Revenues," Revenue Source Code 0860 "Bonds Issued," and then adjusted for GAAP reporting purposes through GL Code 3225 "Revenue Adjustments/Eliminations (GAAP)," Revenue Source Code 0860 to GL Code 5162 "Revenue Bonds Payable." Likewise, payments on bond principal would be initially recorded as expenditure by a debit to GL Code 6510 Subobject PA "Principal," and then adjusted for GAAP reporting purposes through GL Code 6525 "Expense Adjustments/Eliminations (GAAP)," Subobject PA to GL Code 5162.

85.85.35

June 1, 2004

General obligation bond debt issuance and servicing

The following example is used to illustrate entries for recording the issuance and servicing of general obligation bond debt: Bond par value is \$5,000, with original issue premium (OIP) of \$200, underwriter's discount (UD) of \$60, costs of issuance (COI) of \$20, and an interest rate of 6%. First year debt service includes principal of \$500 and interest of \$300. (Refer to Subsection 85.72.20.c.)

Proceeds of the debt issue will be used to build a facility to house a general governmental agency. For general obligation bond debt handled by the Office of the State Treasurer (OST), the costs of issuance (COI) are always included in the proceeds and paid separately by OST.

85.85.35.a **To record the issuance of the bonds and payment of the costs of issuance.**

OFFICE OF THE STATE TREASURER (AGENCY 010):

State Building Construction Account (Account 057):

	Dr.	Cr.
Receipts In-Process (7110)	5,140	
Cash Expenditures/Expenses (6510) Subobject ER –		
Other Purchased Services (<i>UD</i>)	60	
Cash Revenues (3210) Revenue Source Code		
(0863) Original Issue Premium (Discount) (<i>OIP</i>)		200
Cash Revenues (3210) Revenue Source Code		
(0860) Bonds Issued or (0864) Taxable Bonds		5,000
Issued (<i>Par</i>)		
Cash Expenditures/Expenses (6510) with appropriate	20	
subobject for COI		
Warrants- In-Process (7120)		20

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount to be Provided for Retirement of Long-Term	5,000	
Obligations (1820) (<i>Par</i>)		
General Obligation Bonds Payable (5161)		500
General Obligation Bonds Payable (5261)		4,500

NOTE: If bond proceeds are being distributed to accounts other than Account 057, the costs of issuance (COI) will be prorated to those accounts based on the portion of par amount they receive.

85.85.35.b **To record a debt service transfer from an operating (reimbursing) account, through the General Fund, and then to a debt service fund type account for a reimbursable bond.**

OFFICE OF THE STATE TREASURER (AGENCY 010):

Operating (Reimbursing) Account:

	Dr.	Cr.
Cash Revenues (3210) Revenue Source Code (0694)	800	
Operating Transfers – Debt Service Reimbursements		
Journal Vouchers In-Process (7140)		800

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General Fund (Account 001):

	Dr.	Cr.
Journal Vouchers In-Process (7140)	800	
Cash Revenues (3210) Revenue Source Code (0694) Operating Transfers – Debt Service Reimbursements		800
Cash Revenues (3210) Revenue Source Code (0694) Operating Transfers – Debt Service Reimbursements	800	
Journal Vouchers In-Process (7140)		800

Debt Service Account (Account 381 or Account 383):

	Dr.	Cr.
Journal Vouchers In-Process (7140)	800	
Cash Revenues (3210) Revenue Source Code (0694) Operating Transfers – Debt Service Reimbursements		800

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount Available in Debt Service Funds (1810)	800	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		800

85.85.35.c

If the bond payment does not relate to a reimbursable bond, then the debt service transfer is made directly from the General Fund to a debt service fund as follows:

OFFICE OF THE STATE TREASURER (AGENCY 010):**General Fund (Account 001):**

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject MP	500	
Interfund Transfers Out – Principal		
Cash Expenditures/Expenses (6510) Subobject MI	300	
Interfund Transfers Out- Interest		
Journal Vouchers In-Process (7140)		800

Debt Service Account (Account 3XX):

	Dr.	Cr.
Journal Vouchers In-Process (7140)	800	
Cash Expenditures/Expenses (6510) Subobject MC Interfund Transfers In - Principal		500
Cash Expenditures/Expenses (6510) Subobject MD Interfund Transfers In - Interest		300

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount Available in Debt Service Funds (1810)	800	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		800

85.85.35.d

To record the first debt service payment.

Debt Service Account (Account 3XX):

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PA Principal	500	
Cash Expenditures/Expenses (6510) Subobject PB Interest	300	
Journal Vouchers In-Process (7140)		800

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
General Obligations Bonds Payable (5161)	500	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		500

	Dr.	Cr.
Amount to be Provided for Retirement of Long-Term Obligations (1820)	800	
Amount Available in Debt Service Funds (1810)		800

85.85.35.e

At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year. At fiscal year-end, the amount in GL Code 5161 should be the same as the next year's principal payment on the general obligation bonds amortization schedule.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
General Obligations Bonds Payable (5261)	500	
General Obligations Bonds Payable (5161)		500

85.85.40
July 1, 2006

Lease-purchase agreements (Capital leases)

The following example is used to illustrate the lease purchase entries for capital leases in a governmental fund type account. (Refer to Subsection 85.72.30.)

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Accounting Procedures

An agency operating from the General Fund (governmental fund type account) entered into an agreement to lease a copying machine with a fair value of \$15,000 for 60 months at the rate of \$300 per month. The current interest rate is 12 percent and the present value of the minimum lease payments is \$13,621 (annuity due). Since the present value of the minimum lease payments and the fair value are more than \$10,000, this lease-purchase meets the state's criteria for a capital lease (refer to Subsection 30.20.30 for further information on capitalization criteria for capital leases). The amount to be capitalized is \$13,621, which is the lesser of the fair value and net present value. Therefore, the entries to be recorded for a capital lease are as follows:

85.85.40.a **GOVERNMENTAL FUND TYPE ACCOUNTS (Agency entries)**

85.85.40.a.(1) **To record the capital lease purchase of a capital asset and the lease liability.**

Operating Account:

	Dr.	Cr.
Capital Assets Acquisition by Lease-Purchase	13,621	
Agreements or Certificates of Participation (6514)		
Subobject JC - Furnishings, Equipment and Software		
Other Financing Sources (3221) Revenue Source		13,621
Code (0809) Capital Lease Acquisition		

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Furnishings and Equipment (2410)	13,621	
Investment in General Capital Assets (9850)		13,621

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount to be Provided for Retirement of Long-Term		
Obligations (1820)	13,621	
Lease-Purchase Agreements Payable (5172)		2,229
Lease-Purchase Agreements Payable (5272)		11,392

NOTE: Contact the Office of State Treasurer for the current rate of interest, for computing present value. Capital leases are computed as annuities due because the payments are made at the first of the month; other capital purchases may be computed as ordinary annuities.

85.85.40.a.(2) **To record the first periodic payment of lease-purchase liability.**

NOTE: No interest is accrued because the first lease payment is made at the beginning of the first month of the lease.

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PA – Principal	300	
Cash in Bank (1110) or Warrants In-Process (7120)		300

General Long-Term Obligations Subsidiary Account (Account 999):

To reduce the lease-purchase liability by the amount of periodic payment on the principal due.

	Dr.	Cr.
Lease-Purchase Agreements Payable (5172)	300	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		300

85.85.40.a.(3) **To record the second periodic payment on a capital lease-purchase agreement.**

Operating Account:

The interest computation: \$13,621 less the first month's payment \$300, times one percent, the monthly interest rate.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PA - Principal	167	
Cash Expenditures/Expenses (6510) Subobject PB – Interest	133	
Cash in Bank (1110) or Warrants In-Process (7120)		300

General Long-Term Obligations Subsidiary Account (Account 999):

To reduce the lease-purchase liability by the amount of periodic payment on the principal due.

	Dr.	Cr.
Lease-Purchase Agreements Payable (5172)	167	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		167

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- 85.85.40.a.(4) **To reclassify as short term that portion of the liability due within the next fiscal year.** At fiscal year-end, the amount in GL Code 5172 should be the same as the next year's principal payment on the agency's lease agreement amortization schedule.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Lease Purchase Agreements Payable (5272)	167	
Lease Purchase Agreements Payable (5172)		167

85.85.40.b **PROPRIETARY AND TRUST FUND TYPE ACCOUNTS**

The following example is used to illustrate the lease purchase entries for capital leases in proprietary and trust fund type accounts. (Refer to Subsection 85.72.30.)

An agency operating from a proprietary fund type account entered into an agreement to lease a copying machine with a fair value of \$15,000 for 60 months at the rate of \$300 per month. The current interest rate is 12 percent and the present value of the minimum lease payments is \$13,621 (annuity due). Since the present value of the minimum lease payments and the fair value are more than \$10,000, this purchase meets the state's criteria for a capital lease (refer to Subsection 30.20.30 for further information on capitalization criteria for capital leases). The amount to be capitalized is \$13,621, which is the lesser of the fair value and net present value. Therefore, the entries to be recorded in the proprietary fund for the capital lease are as follows:

- 85.85.40.b.(1) **To record the capital lease-purchase of a capital asset and the lease liability.** The asset is recorded at cost, excluding interest, of the asset financed. The current lease liability represents that portion of the lease obligations due within one year and the long-term liability represents lease obligations maturing thereafter.

	Dr.	Cr.
Furnishings and Equipment (2410)	13,621	
Lease-Purchase Agreements Payable (5172)		2,229
Lease-Purchase Agreements Payable (5272)		11,392

- 85.85.40.b.(2) **To record the first periodic payment of a lease-purchase liability.** The entire payment of the principal due is charged to the current lease-purchase agreements payable. No interest is accrued because the payment is made at the beginning of the first month of the lease.

	Dr.	Cr.
Lease-Purchase Agreements Payable (5172)	300	
Cash in Bank (1110) or Warrants In-Process (7120)		300

Budgeted proprietary and trust fund type accounts require an additional entry to record an appropriated disbursement for the portion of the payment applicable to the principal.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PA – Principal	300	
Expense Adjustments/Eliminations (GAAP) (6525) Subobject PA - Principal		300

- 85.85.40.b.(3) **To record the second periodic payment of a capital lease-purchase liability paid from a budgeted account.** Payment of the principal due is charged to the current lease-purchase agreements payable.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PB - Interest	133	
Lease-Purchase Agreements Payable (5172)	167	
Cash in Bank (1110) or Warrants In-Process (7120)		300

Budgeted proprietary and trust fund type accounts require an additional entry to record the appropriated disbursement. The amount to be recorded is the portion of the payment applicable to the principal.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PA – Principal	167	
Expense Adjustments/Eliminations (GAAP) (6525) Subobject PA - Principal		167

- 85.85.40.b.(4) **At fiscal year end, to reclassify from long-term to short-term the principal portion of the lease-purchase liability due within the next fiscal year.** At fiscal year-end, the amount in GL Code 5172 should be the same as the next year's principal payment on the agency's lease agreement amortization schedule.

	Dr.	Cr.
Lease-Purchase Agreements Payable (5272)	167	
Lease-Purchase Agreements Payable (5172)		167

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85.85.40.c

COMPUTATION OF PRESENT VALUE ANNUITIES

Any annuity is a series of equal payments made at regular intervals of time. The time intervals between payments are called payment periods. An annuity is a compound interest situation with periodic payments. When the payments are made at the end of the payment periods, the annuity is called an ordinary annuity. When the payments are made at the beginning of the payment periods, the annuity is called an annuity due.

Computation of present value may be achieved by use of the following formulas:

Where

Pv = present value factor

I = interest rate

n = number of periods

Ordinary Annuity/Present Value Formula— A loan is a prime example of this annuity situation in which a sum of money is to be repaid with interest by certain payments for a fixed number of periods. The present value of the loan can be computed by multiplying the periodic loan payments by the present value factor. The present value factor is calculated by using the following formula:

$$Pv = \frac{1}{\frac{1 - (1+i)^n}{i}}$$

Annuity Due/Present Value Formula— Rent or lease situations are common examples of this type of annuity. The present value of the rent or lease can be computed by multiplying the periodic rent/lease payments by the present value factor. The present value factor is calculated by using the following formula:

(However, the formula need not be used, since tables showing present values computed with the formula at various interest rates are readily available.)

$$Pv = \frac{1}{\frac{1 - (1+i)^{n-1}}{i}} \quad \text{and adding 1 to the computed amount}$$

85.85.45

July 1, 2006

Equipment Certificates of Participation

The following example is used to illustrate entries for **equipment certificates of participation** (COPs) in a **governmental** fund type account. (Refer to Subsection 85.72.40.c.)

An agency operating in a governmental fund type account purchases a piece of equipment for \$10,000, and finances it through a COP. (The actual par value of the COP is slightly higher to cover issue costs, such as Cost of Issuance (COI), Original Issue Discount (OID) and Underwriter's Discount (UD). The COI is always included in the proceeds received by OST, but not the OID or the UD. OST recovers the COI, OID, and UD from agencies by factoring these costs into the interest portion of the agency repayment schedule. Refer to Subsection 85.85.45.c). Terms of the COP require first year debt service in the amount of \$2,000 principal and \$600 interest, and a second year principal payment of \$2,200.

While agency entries differ if the equipment is acquired by a governmental or proprietary fund, the OST entries are the same.

85.85.45.a

GOVERNMENTAL FUND TYPE ACCOUNTS (Agency Entries)

85.85.45.a.(1)

To record the COP liability. When the COP is sold by OST, it becomes an obligation of the agency even if the proceeds have not yet been received by the agency. The time period between the COP sale date and closing date is two weeks or less.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount to be provided for retirement of Long-Term Obligations (1820)	10,000	
Certificates of Participation Payable (5173)		2,000
Certificates of Participation Payable (5273)		8,000

85.85.45.a.(2)

To record the purchase of equipment and the receipt of COP proceeds from OST. (Note: The purchase of the equipment and the reimbursement from OST may be several months apart.)

Operating Account:

	Dr.	Cr.
*Cash Expenditures/Expenses (6510) Subobject JC - Furnishings, Equipment, and Software	10,000	
*Cash in Bank (1110) or In-Process (71XX)		10,000

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Capital Assets Acquisitions by Lease-Purchase	10,000	
Agreements or Certificates of Participation (6514)		
Subobject JC – Furnishings, Equipment, and Software		
Other Financing Sources (3221) Revenue Source		10,000
Code (0807) Certificates of Participation		
 *Cash in Bank (1110) or In-Process (71XX)	 10,000	
*Cash Expenditures/Expenses (6510) Subobject		10,000
JC - Furnishings, Equipment, and Software		

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Furnishings and Equipment (2410)	10,000	
Investment in General Capital Assets (9850)		10,000

***NOTE:** If OST pays the vendor directly for the equipment, then the agency would not record the cash receipt or the cash disbursement entries (since there is no reimbursement to the agency). However, the agency would still record the capital acquisition in GL 6514 Subobject JC with the credit offset in GL 3221 Revenue Source Code 0807.

NOTE: If a COP has been authorized and equipment costs are incurred in one fiscal year and the COP is not issued until the subsequent year, agencies should debit a receivable, such as GL Code 1352 “Due from Other Governments,” and credit expenditures to GL Code 6510 in the year the equipment costs are initially incurred. When the COP is issued in the subsequent year, the agency should credit the GL Code 1352 and debit cash when the COP proceeds are received, along with a debit to GL Code 6514 Subobject JC with the offsetting credit to GL Code 3221 Revenue Source Code 0807.

85.85.45.a.(3) **To record the first year COP debt service payment (principal and interest).**

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PD -	2,000	
Principal COP Lease/Purchase Agreements		
Cash Expenditures/Expenses (6510) Subobject PE -	600	
Interest COP Lease/Purchase Agreements		
Cash in Bank (1110) or In-Process (71XX)		2,600

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Certificates of Participation (5173)	2,000	
Amount to be Provided for Retirement of Long-Term Obligations (1820)		2,000

- 85.85.45.a.(4) **At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year.** At fiscal year-end, the amount in GL Code 5173 should be the same as the next year's principal payment on the agency's COP amortization schedule.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Certificates of Participation Payable (5273)	2,200	
Certificates of Participation Payable (5173)		2,200

- 85.85.45.b **PROPRIETARY FUND TYPE ACCOUNTS (Agency Entries)**

The following example is used to illustrate entries for **equipment certificates of participation (COPs)** in a **proprietary** fund type account. (Refer to Subsection 85.72.40.c.)

An agency operating in a proprietary fund type account acquires a piece of equipment for \$10,000, and finances it through a COP. (The actual par value of the COP is slightly higher to cover issue costs, such as Cost of Issuance (COI), Original Issue Discount (OID) and Underwriter's Discount (UD). The COI is always included in the proceeds received by OST, but not the OID or the UD. OST recovers the COI, OID, and UD from agencies by factoring these costs into the interest portion of the agency repayment schedule. Refer to Subsection 85.85.45.) Terms of the COP require first year debt service in the amount of \$2,000 principal and \$600 interest, and a second year principal payment of \$2,200.

While agency entries differ if the equipment is acquired by a governmental or proprietary fund, the OST entries are the same.

All of these entries are made in the agency's **Operating Account**:

- 85.85.45.b.(1) **To record the purchase of equipment, the COP liability, and the receipt of COP proceeds from OST.** When the COP is sold by OST, it becomes an obligation (liability) of the agency, even if the proceeds have not yet been received by the agency. The time period between the COP sale date and closing date is two weeks or less.

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	Dr.	Cr.
Furnishings and Equipment (2410)	10,000	
Cash in Bank (1110) or In-Process (71XX)		10,000
Cash in Bank (1110) or In-Process (71XX)	10,000	
Certificates of Participation Payable - (5173)		2,000
Certificates of Participation Payable - (5273)		8,000

85.85.45.b.(2) **To record the first year COP debt service payment (principal and interest).**

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PE - Interest COP Lease/Purchase Agreements	600	
Certificates of Participation Payable (5173)	2,000	
Cash in Bank (1110) or In-Process (71XX)		2,600

Budgeted proprietary fund type accounts require an additional entry to record the appropriated disbursements. The amount to be recorded is the principal portion of the COP debt service payment.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PD – Principal COP Lease/Purchase Agreements	2,000	
Expense Adjustment/Eliminations (GAAP) (6525) Subobject PD –Principal COP Lease/Purchase Agreement		2,000

85.85.45.b.(3) **At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year.** At fiscal year-end, the amount in GL Code 5173 should be the same as the next year's principal payment on the agency's COP amortization schedule.

	Dr.	Cr.
Certificates of Participation Payable (5273)	2,200	
Certificates of Participation Payable (5173)		2,200

85.85.45.c **OFFICE OF THE STATE TREASURER (AGENCY 010) ENTRIES**

Using the same example as in Subsection 85.85.45 above, an agency purchases a piece of equipment for \$10,000, and finances it through a COP. Terms of the COP require first year debt service in the amount of \$2,000 principal and \$600 interest, and a second year principal payment of \$2,200.

An additional consideration for OST is to increase the COP issue Par to cover the original issue discount (OID), the underwriter's discount (UD), and costs of issuance (COI). In this example, the OID is \$10, the UD is \$50 and the COI are \$75. The COI is included in the proceeds but not the OID or the UD. OST recovers the OID, UD, and the COI from agencies by factoring these costs into the interest portion of the agency repayment schedule.

While agency entries differ if the equipment is acquired by a governmental or proprietary fund, the OST entries are the same.

85.85.45.c.(1) **To record the closing of the COP sale with the underwriter.**

Certificate of Participation and Other Financing – State (Account 739):

	Dr.	Cr.
Receipts-In-Process (7110) (Par + COI)	10,075	
Cash Revenues (3210) Revenue Source Code (0499) Other Revenues (COI)		75
Certificates of Participation Payable (5273) (Par)		10,000

85.85.45.c.(2) **To record the liability of the OID, UD, and COI.**

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount to be Provided (1820)	135	
Certificates of Participation Payable (5273)		135

85.85.45.c.(3) **To distribute the COP proceeds to the state agency and pay the costs of issuance.**

Certificate of Participation and Other Financing – State (Account 739):

	Dr.	Cr.
Certificates of Participation Payable (5273)	10,000	
Cash-In-Process (71XX)		10,000
Accrued Expenditures/Expenses (6505) with appropriate subobject (COI)	75	
Accounts Payable (5111) (COI)		75
Cash Expenditures/Expenses (6510) (appropriate subobject) (COI)	75	
Accrued Expenditures/Expenses (6505) with appropriate subobject (COI)		75

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	Dr.	Cr.
Accounts Payable (5111) (<i>COI</i>)	75	
Warrants-In-Process (7120) (<i>COI</i>)		75

When debt service payments are made, the COP par liability is reduced to reflect the reduction in COI liability. This is adjusted at fiscal year-end.

85.85.45.c.(4) **To record the receipt of the first debt service payment from an agency.**

Certificate of Participation and Other Financing – State (Account 739):

	Dr.	Cr.
Cash-In-Process (71XX)	2,600	
Due to Fiscal Agents (5130) (<i>principal and interest</i>)		2,600

NOTE: OST temporarily invests the payments received from agencies for 30 days until the debt service payment is due to the fiscal agent. This activity is recorded by transferring Cash In-Process in and out of the Local Government Investment Pool (1206).

85.85.45.c.(5) **To record payment to the fiscal agent.**

Certificate of Participation and Other Financing – State (Account 739):

	Dr.	Cr.
Due to Fiscal Agents (5130)	2,600	
Cash-In-Process (71XX)		2,600

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July 1, 2006

Real Estate Certificates of Participation

The following example is used to illustrate entries for **real estate project certificates of participation** (COP) in a **governmental** fund type account. (Refer to Subsection 85.72.40.d.)

An agency operating from a governmental fund type account obtains proper legislative approval for a real estate project and applies to the Office of the State Treasurer (OST) for COP financing. OST sells a \$75 million COP (par) for purposes of constructing a state office building. Of the issue, \$60 million is received as cash by OST and is available to pay for construction costs, and \$14 million is received as cash by OST and is for capitalized interest due during the construction period. The balance of the issue is comprised of the following: \$.7 million is the original issue discount (OID), \$.2 million is the underwriter's discount (UD), and \$.1 million is for other costs of issuance (COI). OST receives cash proceeds

for the COI, but not for the UD and the OID. Ten million dollars is expended on construction in the first year. Debt service requirement for the first year is \$4 million, interest only. Unspent construction funds earn \$.8 million in interest revenue by the end of the first fiscal year. (NOTE: In proprietary funds, net construction period interest is to be capitalized, if material.)

Unspent proceeds are held by OST and invested with a trustee or in the LGIP (Local Government Investment Pool).

While agency entries differ if the construction is accounted for in a governmental or proprietary fund, OST entries are the same.

85.85.50.a **GOVERNMENTAL FUND TYPE ACCOUNTS (Agency Entries)**

85.85.50.a.(1) **To record the liability for the real estate project COP and the expense of the costs of issuance, original issue discount, and underwriter's discount (paid by OST).** When the COP is sold by OST, it becomes an obligation (liability) of the agency, even if the proceeds have not yet been received by the agency. The time period between the COP sale date and the closing date is two weeks or less.

Construction Account:

	Dr.	Cr.
Due from Other Agency-OST (1354)	74 mil	
Other Financing Sources (3221) Revenue Source Code (0863) Original Issue Premium (Discount) (<i>OID</i>)	.7 mil	
Cash Expenditures/Expenses (6510) Subobject PC – Other Debt Services (<i>UD and COI</i>)	.3 mil	
Other Financing Sources (3221) Revenue Source Code (0807) Certificates of Participation (<i>Par</i>)		75 mil
Capital Asset Acquisitions by Lease-Purchase Agreements or Certificates of Participation (6514) Subobject JF - Buildings	1 mil	
Cash Expenditures/Expenses (6510) Subobject PC - Other Debt Services (<i>UD and COI</i>)		.3 mil
Other Financing Sources (3221) Revenue Source Code (0863) Original Issue Premium (Discount) (<i>OID</i>)		.7 mil

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General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Amount to be Provided for Retirement of Long-Term Obligations (1820)	75 mil	
Certificates of Participation Payable (5273)		75 mil

NOTE: Because interest only is due during the construction period, the entire obligation is initially coded long-term.

85.85.50.a.(2) **To record construction expenditures and reimbursement from OST.**

Construction Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject JX – Other Capital Outlays	10 mil	
Cash in Bank (1110) or In-Process (71XX)		10 mil
Capital Asset Acquisitions by Lease -Purchase Agreements or Certificates of Participation (6514) Subobject JF -Buildings	10 mil	
Cash Expenditures/Expenses (6510) Subobject JX – Other Capital Outlays		10 mil
Cash in Bank (1110) or In-Process (71XX)	10 mil	
Due from Other Agency-OST (1354) (<i>construction proceeds</i>)		10 mil

NOTE: If a COP has been authorized and construction project costs are incurred in one fiscal year and the COP is not issued until the subsequent year, agencies should debit a receivable, such as GL Code 1352 Due from Other Governments, and credit expenditures to GL Code 6510 in the year the project costs are initially incurred. When the COP is issued in the subsequent year, the agency should credit the GL Code 1352 and establish the GL Code 1354 from the OST.

85.85.50.a.(3) **To record first year interest-only debt service payment.** This payment is made by OST from the capitalized interest proceeds.

Construction Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PE - Interest COP Lease-Purchase Agreements	4 mil	
Due from Other Agency-OST (1354)		4 mil

- 85.85.50.a.(4) **To recognize interest earned on unspent construction and capitalized interest proceeds held by trustee and reported to agency monthly by OST.**

Construction Account:

	Dr.	Cr.
Due from Other Agency-OST (1354)	.8 mil	
Cash Revenues (3210) Revenue Source Code (0401) Treasury Investment Income		.8 mil

- 85.85.50.a.(5) **To record at fiscal year-end, an adjusting entry for construction in progress.** Construction in progress is equal to the sum of construction expenditures (\$10 million), COI and UD (\$.3 million), OID (\$.7 million), and interest paid (\$4 million), net of interest earned (\$.8 million).

General Capital Assets Subsidiary Account (Account 997):

	Dr.	Cr.
Construction in Progress (2510)	14.2 mil	
Investment in General Capital Assets (9850)		14.2 mil

- 85.85.50.a.(6) **At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year.** At fiscal year-end, the amount in GL Code 5173 Certificates of Participation Payable Short-term should be the same as the next year's principal payment on the agency's COP amortization schedule.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Certificates of Participation Payable (5273)	2 mil	
Certificates of Participation Payable (5173)		2 mil

- 85.85.50.a.(7) **In a subsequent period,** assume debt service payment is scheduled for principal amount of \$2 million and interest expense of \$3.5 million for total COP debt payment of \$5.5 million. Part of this \$5.5 million payment (\$2 million) is made by OST from the capitalized interest held by OST, and part of the payment is made by OST from the \$1.1 million of interest earned on funds held by trustee (as reported to agency monthly by OST). The balance of the payment, \$2.4 million, is paid in cash by the agency to OST. OST then makes the full payment of \$5.5 million to the fiscal agent. (Refer to Subsection 85.85.50.c.(6).)

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Construction Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PD - Principal COP Lease-Purchase Agreements	2 mil	
Cash Expenditures/Expenses (6510) Subobject PE - Interest COP Lease-Purchase Agreements	3.5 mil	
Cash in Bank (1110) or In-Process (71XX)		2.4 mil
Due from Other Agency-OST (1354)		3.1 mil

**General Long-Term Obligations Subsidiary Account
(Account 999):**

	Dr.	Cr.
Certificates of Participation Payable (5173)	2 mil	
Amount to be Provided for Retirement of Long- Term Obligations (1820)		2 mil

85.85.50.b

PROPRIETARY FUND TYPE ACCOUNTS (Agency Entries)

The following example is used to illustrate entries for **real estate project** certificates of participation (COP) in a **proprietary** fund type account. (Refer to Subsection 85.72.40.c.).

An agency operating from a proprietary fund type account obtains proper legislative approval for a real estate project and applies to the Office of the State Treasurer (OST) for COP financing. OST sells a \$75 million COP (par) for purposes of constructing a state office building. Of the issue, \$60 million is received as cash by OST and is available to pay for construction costs, and \$14 million is received as cash by OST and is for capitalized interest due during the construction period. The balance of the issue is comprised of the following: \$.7 million is the original issue discount (OID), \$.2 million is the underwriter's discount (UD), and \$.1 million is for other costs of issuance (COI). OST receives cash proceeds for the COI, but not for the UD and the OID. Ten million dollars is expended on construction in the first year. Debt service requirement for the first year is \$4 million, interest only. Unspent construction funds earn \$.8 million in interest revenue by the end of the first fiscal year. This example assumes that net construction period interest is material and is therefore capitalized, and the original issue discount (OID), the underwriter's discount (UD) and cost of issuance (COI) are immaterial, and therefore expensed. Where the OID, UD and/or COI are material, they should be deferred to GL Codes 1911 and/or 1921, and amortized over the life of the issue.

Unspent proceeds are held by OST and invested with a trustee or in the LGIP (Local Government Investment Pool).

While agency entries differ if the construction is accounted for in a governmental or proprietary fund, OST entries are the same.

- 85.85.50.b.(1) **To record the liability for the real estate project COP and expense of the costs of issuance, original issue discount, and underwriter's discount (paid by OST).** When the COP is sold by OST, it becomes an obligation (liability) of the agency, even if the proceeds have not yet been received by the agency. The time period between the COP sale date and the closing date is two weeks or less.

Agency Operating/Construction Account:

	Dr.	Cr.
Due from Other Agency-OST (1354)	74 mil	
Cash Expenditures/Expenses (6510) Subobject PC -	1 mil	
Other Debt Services (<i>UD, OID and COI</i>)		
Construction in Progress (2510)	1 mil	
Certificates of Participation Payable (5273) (<i>Par</i>)		75 mil
Expense Adjustment/Elimination (6525)		1 mil
Subobject PC – Other Debt Services (<i>UD, OID and COI</i>)		

NOTE: Because interest only is due during the construction period, the entire obligation is initially coded long-term.

- 85.85.50.b.(2) **To record construction expenditures and reimbursement by OST.**

Agency Operating/Construction Account:

	Dr.	Cr.
Construction in Progress (2510)	10 mil	
Cash in Bank (1110) or In-Process (71XX)		10 mil
Cash in Bank (1110) or In-Process (71XX)	10 mil	
Due from Other Agency-OST (1354)		10 mil

- 85.85.50.b.(3) **To record interest earned on unspent proceeds and capitalized interest held by the trustee and reported to the agency monthly by OST.** This entry effectively “nets” interest earnings on unspent proceeds against the construction period interest costs that are capitalized.

Agency Operating/Construction Account:

	Dr.	Cr.
Due from Other Agency-OST (1354)	.8 mil	
Construction in Progress (2510)		.8 mil

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- 85.85.50.b.(4) **To record first year interest only debt service payment – this payment is made by OST from the capitalized interest proceeds.**

Agency Operating/Construction Account:

	Dr.	Cr.
Construction in Progress (2510)	4 mil	
Due from Other Agency-OST (1354)		4 mil

Once the capitalized interest proceeds are expended, the interest payments will involve a credit to Cash in Bank (1110) or In-Process (71XX). Additionally, once construction is completed, the interest payment is charged to interest expense in GL Code 6510 Cash Expenditures and Subobject PE - Interest COP Lease-Purchase Agreements. Refer to Subsection 85.85.50.b.(5).

- 85.85.50.b.(5) **At fiscal year-end for reporting purposes, to reclassify as short-term that portion of principal due within the next fiscal year.** At fiscal year-end, the amount in GL Code 5173 should be the same as the next year's principal payment on the agency's COP amortization schedule.

General Long-Term Obligations Subsidiary Account (Account 999):

	Dr.	Cr.
Certificates of Participation Payable (5273)	2 mil	
Certificates of Participation Payable (5173)		2 mil

NOTE: At each fiscal year-end, interest due on the COP since the last payment should be credited to Interest Payable GL 5112.

- 85.85.50.b.(6) **In a subsequent period, assume debt service payment is scheduled for principal amount of \$2 million and interest expense of \$3.5 million for total COP debt payment of \$5.5 million.** Part of this \$5.5 million payment (\$2 million) is made by OST from the capitalized interest held by OST, and part of the payment is made by OST from the \$1.1 million of interest earned on funds held by trustee (as reported to agency monthly by OST). The balance of the payment, \$2.4 million, is paid in cash by the agency to OST. OST then makes the full payment of \$5.5 million to the fiscal agent (refer to Subsection 85.85.50.c(6)).

Agency Operating/Construction Account:

	Dr.	Cr.
Certificates of Participation Payable (5173) Principal	2 mil	
Cash Expenditures/Expenses (6510) Subobject PE - Interest COP Lease-Purchase Agreements	3.5 mil	
Cash in Bank (1110) or In-Process (71XX)		2.4 mil
Due from Other Agency – OST (1354)		3.1 mil

Budgeted proprietary and trust fund type accounts require an additional entry to record an appropriated disbursement for the portion of the payment applicable to the principal.

	Dr.	Cr.
Cash Expenditures/Expenses (6510) Subobject PD –	2 mil	
Principal COP Lease-Purchase Agreements		
Expense Adjustments/Elimination (6525)		2 mil
Subobject PD- Principal COP Lease-Purchase Agreements		

85.85.50.c

OFFICE OF STATE TREASURER (OST) (AGENCY 010) ENTRIES

Using the same example as in Subsection 85.85.50 above, an agency obtains proper legislative approval for a real estate project and applies to the Office of the State Treasurer (OST) for COP financing. OST sells a \$75 million COP (par) for purposes of constructing a state office building. Of the issue, \$60 million is received as cash by OST and is available to pay for construction costs, and \$14 million is received as cash by OST and is for capitalized interest (interest due during the construction period). The balance of the issue is comprised of the following: \$.7 million is the original issue discount (OID), \$.2 million is the underwriter's discount (UD), and \$.1 million is for other costs of issuance (COI). OST receives cash proceeds for the COI, but not for the UD and the OID. Ten million dollars is expended on construction in the first year. Debt service requirement for the first year is \$4 million, interest only. Unspent construction funds earn \$.8 million in interest revenue by the end of the first fiscal year. The entries for OST are as follows:

All entries are made to **Certificate of Participation and Other Financing - State (Account 739):**

85.85.50.c.(1)

To record the closing of the COP sale with the underwriter. OST receives cash for the construction proceeds, the capitalized interest, and the costs of issuance, which are deposited in the Local Government Investment Pool or with an outside trustee.

	Dr.	Cr.
Receipts-In-Process (7110)	74.1 mil	
Due to Other Agency (5154) (<i>construction proceeds and capitalized interest</i>)		74 mil
Cash Revenue (3210) Revenue Source Code (0499) Other Revenues (<i>COI</i>)		.1 mil
Investments with Local Government Investment Pool (1206) or Cash and Investments with Escrow Agents and Trustees (1140) (<i>construction proceeds and capitalized interest</i>)	74 mil	
Cash-In-Process (71XX)		74 mil

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85.85.50.c.(2)	To record payment of costs of issuance.		
		Dr.	Cr.
	Cash Expenditures/Expenses (6510) with the appropriate Subobject	.1 mil	
	Warrants-In-Process (7120)		.1 mil
85.85.50.c.(3)	To record withdrawal from the trustee (or LGIP), and payment to the agency for construction costs incurred.		
		Dr.	Cr.
	Receipts-In-Process (7110)	10 mil	
	Investments with Local Government Investment Pool (1206) or Cash and Investments with Escrow Agents and Trustees (1140)		10 mil
	Due to Other Agency (5154)	10 mil	
	Cash-In-Process (71XX)		10 mil
85.85.50.c.(4)	To record interest earnings of \$.8 million on unspent proceeds and capitalized interest.		
		Dr.	Cr.
	Investments with LGIP (1206)	.8 mil	
	Due to Other Agency (5154)		.8 mil
85.85.50.c.(5)	To record the first debt service payment made to the fiscal agent by the OST on behalf of the agency. This first payment is made from the capitalized interest proceeds.		
		Dr.	Cr.
	Cash -In-Process (71XX)	4 mil	
	Investments with Local Government Investment Pool (1206) or Cash and Investments with Escrow Agents and Trustees (1140) (<i>capitalized interest</i>)		4 mil
	Due to Other Agency (5154) (<i>capitalized interest</i>)	4 mil	
	Due to Fiscal Agent (5130)		4 mil
	Due to Fiscal Agent (5130)	4 mil	
	Cash-In-Process (71XX)		4 mil
85.85.50.c.(6)	To record debt service in a subsequent period. OST receives a payment from an agency of \$2.4 million and uses the remaining capitalized interest of \$2 million and the accumulated interest earned on the proceeds held on deposit of \$1.1 million to pay debt service of \$5.5 million.		

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	Dr.	Cr.
Cash In-Process (71XX)	2.4 mil	
Due to Fiscal Agent (5130)		2.4 mil
Cash In-Process (71XX)	3.1 mil	
Investments with LGIP (1206)		3.1 mil
Due to Other Agency (5154)	3.1 mil	
Due to Fiscal Agent (5130)		3.1 mil
Due to Fiscal Agent (5130)	5.5 mil	
Cash In-Process (71XX)		5.5 mil

85.85.55

July 1, 2003

Vendor payment advances

To record vendor payment advance transactions. (Refer to Subsection 85.74.10.)

85.85.55.a Initial Advance

85.85.55.a.(1) To record the issuance of a vendor payment advance to the State Board for Community and Technical Colleges (SBCTC) or an individual college.

General Fund (Account 001):

	Dr.	Cr.
Due from Other Funds - Advances (1350) (with appropriate subsidiary)	xxx	
Warrants In-Process (7120)		xxx

85.85.55.a.(2) To record the deposit of the vendor payment advance by the SBCTC or an individual college.

Institutions of Higher Education - Agency Account (Account 840):

	Dr.	Cr.
Cash in Bank (1110)	xxx	
Due to Other Funds - Advances (5150) (with appropriate subsidiary)		xxx

85.85.55.b Payment for Goods and Services and the Expenditure Recognition

85.85.55.b.(1) To record the payment to a vendor by the SBCTC or an individual college with the advance.

Institutions of Higher Education - Agency Account (Account 840):

	Dr.	Cr.
Due from Other Funds - Advances (1350) (with appropriate subsidiary)	xxx	
Cash in Bank (1110)		xxx

85.85.55.b.(2) To charge the General Fund for disbursements made from the vendor payment advance.

General Fund (Account 001):

	Dr.	Cr.
Accrued Expenditures/Expenses (6505)	xxx	
Due to Other Funds – Advances (5150) (with appropriate subsidiary)		xxx

85.85.55.c Reimbursement of Advance Account

85.85.55.c.(1) To record the reimbursement of the vendor payment advance.

General Fund (Account 001):

	Dr.	Cr.
Due to Other Funds – Advances (5150)	xxx	
Accrued Expenditures/Expenses (6505)		xxx
Cash Expenditures/Expenses (6510)	xxx	
Warrants In-Process (7120)		xxx

85.85.55.c.(2) To record the deposit of reimbursement received by an individual college.

Institutions of Higher Education – Agency Account (Account 840):

	Dr.	Cr.
Cash in Bank (1110)	xxx	
Due from Other Funds – Advances (1350)		xxx

85.85.55.d Close of Advance Account and Return Outstanding Balance – Early in New Biennium

85.85.55.d.(1) To close the vendor payment advance at the close of the biennium. Example assumes June expenditures against the advance were less the initial advance.

Institutions of Higher Education – Agency Account (Account 840):

*amount of the initial advance

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		Dr.	Cr.
	Due to Other Funds – Advances (5150)	xxx*	
	Due from Other Funds – Advances (1350)		xxx*
	Due to Other Funds – Advances (1350)	xxx	
	Cash in Bank (1110)		xxx
85.85.55.d.(2)	To record the transmittal to the Office of the State Treasurer of the outstanding cash balance in the vendor payment advance.		

General Fund (Account 001):

		Dr.	Cr.
	Receipts In-Process (7110)	xxx	
	Due from Other Funds – Advances (1350)		xxx

85.85.60

July 1, 2001

Retention of payments

To record entries related to payments on public works contracts including retained percentages. (Refer to Subsection 85.74.20.)

85.85.60.a

Payment to Contractor

To record the amount paid to the contractor on a progress billing from an appropriated account.

		Dr.	Cr.
	Cash Expenditures/Expenses (6510)	xxx	
	In-Process (71XX)		xxx

85.85.60.b

Retained in State Account

To record the amount retained by the state, in a suspense account, from an appropriated account progress billing.

Operating Account:

		Dr.	Cr.
	Cash Expenditures/Expenses (6510)	xxx	
	In-Process (71XX)		xxx

Suspense Account (Account 01P):

		Dr.	Cr.
	In-Process (71XX)	xxx	
	Retained Percentages Payable (5116)		xxx

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Retained in Escrow or Interest Bearing Account

To record the amount of retained percentages placed in escrow or in an interest bearing account for an appropriated account.

Operating Account:

	Dr.	Cr.
Cash Expenditures/Expenses (6510)	xxx	
In-Process (71XX)		xxx
Cash and Investments with Escrow Agents and Trustees (1140)	xxx	
Retained Percentages Payable (5116)		xxx

85.85.60.d

Payment of Amounts Retained in State Account

To record the payment of amounts retained by the state in a suspense account from an appropriated account.

Suspense Account (Account 01P):

	Dr.	Cr.
Retained Percentages Payable (5116)	xxx	
In-Process (71XX)		xxx

85.85.60.e

Payment of Amounts Retained in Escrow or an Interest Bearing Account

To record the payment of amounts retained in escrow or in an interest bearing account.

Operating Account:

	Dr.	Cr.
Retained Percentages Payable (5116)	xxx	
Cash and Investments with Escrow Agents and Trustees (1140)		xxx

85.85.65

July 1, 2001

Claims and judgments

This illustrative entry of a claims liability displays the accrual of a dispute with the federal government over questioned program costs when it is probable that the state will be required to refund federal revenue. (Refer to Subsection 85.74.40.)

Note: The second entry is made to reverse activity previously coded as federal, which is now supported by state funds.

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	Dr.	Cr.
Cash Revenues (3210) Federal Source Code (03XX)	xxx	
Claims and Judgments Payable (5113)		xxx
Cash Expenditures/Expenses (6510) Subobject (XX) (using a state appropriation)	xxx	
Cash Expenditures/Expenses (6510) Subobject (XX) (using a federal appropriation)		xxx

85.85.70

May 1, 1999

Reservation of fund balance

To record an increase in Reserved Fund Balance corresponding to an increase in petty cash so as to indicate that amounts used for petty cash do not represent available spendable resources. (Refer to Subsection 85.80.10)

Note: To record a decrease, the entry below is reversed.

	Dr.	Cr.
Unreserved/Undesignated Fund Balance (9590)	xxx	
Reserved for Petty Cash (9556)		xxx